FEB 16 2016

No. 15-777

IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., AND SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,
Petitioners,

v.

APPLE INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITIONERS' REPLY BRIEF

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February 16, 2016

WILSON-EPES PRINTING CO., INC. – (202) 789-0096 – WASHINGTON, D. C. 20002

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INTRODUCTION

In suggesting that the decision below poses no issue worthy of review, Apple's brief in opposition disregards the contrary view of nine high-technology companies,[1] thirty-seven intellectual-property professors,[2] three groups representing minority and rural communities,[3] two public interest organizations,[4] a high-tech industry organization,[5] and a small company[6] that have filed amicus briefs in support of the petition. As amici underscore, the decision below absurdly permits the holder of a narrow design patent to obtain a defendant's entire profits on a product embodying hundreds of thousands of other patented features—based merely on a jury's unguided look at a patent illustration. The decision below thus enlarges design-patent rights and remedies far beyond those attaching to any other form of intellectual property, granting unjustified windfalls and chilling innovation. It is high time, after a 120-year hiatus, that this Court again examine the scope and valuation of design patents. The law of the

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[1] Brief for Dell, eBay, Facebook, Google, HP, Hewlett Packard Enterprise, Newegg, Pegasystems, and Vizio as *Amici Curiae* Supporting Petitioners.

[2] Brief *Amici Curiae* of 37 Intellectual Property Professors in Support of Petition for Certiorari.

[3] Brief of *Amici Curiae* Hispanic Leadership Fund, National Black Chamber of Commerce, and National Grange in Support of Petitioner.

[4] Brief of Public Knowledge and the Electronic Frontier Foundation as *Amici Curiae* in Support of Petitioners.

[5] Brief *Amicus Curiae* of the Computer & Communications Industry Association in Support of Petitioner.

[6] Brief of Systems, Inc. as *Amicus Curiae* in Support of Petitioners.

smartphone cannot follow reflexively from the law of the spoon. This case presents the perfect vehicle for much-needed clarification by this Court in an area of great importance to the national economy.

ARGUMENT

I. CERTIORARI IS WARRANTED ON WHETHER DESIGN-PATENT INFRINGEMENT MAY BE BASED ON NON-ORNAMENTAL FEATURES

1. One would never know from reading Apple's brief in opposition that this case involves three narrow design patents on minor, partial smartphone components. Apple never even depicts the three patent *figures* at issue (*see* Pet. 11-13), preferring instead to load its brief with pictures of *products* (BIO 7, 8, 10, 16, 17) containing multiple other features and functions involving other patents. Rather than focus on its three narrow design patents, Apple repeatedly incants broad, vague design concepts:

- "the iPhone's innovative look" (BIO 2)
- "the iPhone's innovative design" (BIO 2)
- "Apple's Iconic iPhone Designs" (BIO 5-6)
- "the iPhone's distinctive overall appearance" (BIO 6)
- "the iPhone's distinctive appearance" (BIO 7)
- "the iPhone's design" (BIO 11)
- "the iPhone's sleek, minimalist body" and "brightly colored user interface" (BIO 30)
- "what people envision when they think of the iPhone" (BIO 30)

- "the overall look-and-feel of the iPhone" (BIO 31)
- the "look-and-feel of the iconic iPhone" (BIO 33)
- "the iconic look and feel of Apple's iPhone" (BIO 34)

Apple's rhetorical excess shows exactly what went wrong below. Apple asserted no patents on the iPhone's "iconic design" or "look-and-feel." It asserted three narrow design patents protecting the *ornamental material inside the solid lines* in the D'677 and D'087 patent figures (Pet. 11-12) and the *single graphical user interface* screen depicted in the D'305 patent (Pet. 13). But by failing to limit the jury's infringement inquiry to the three specific design patents' protected ornamental scope, the district court, affirmed by the Federal Circuit, left the jury free to hand over Samsung's entire profits based on the iPhone's "iconic" status and "look-and-feel."

a. Apple suggests (BIO 15) that the jury instructions "clearly informed the jury what aspects of Apple's design patents were and were not protected." That suggestion is incorrect, and its error only highlights the need for this Court's review.

First, every instruction Apple cites (BIO 14-15) is tautological. No matter how many times the district court told the jury to look at "ornamental design," it never told the jury what "ornamental" means.

Second, Apple quotes (BIO 14-15, 17) only the jury instructions on claim construction (No. 43) and Samsung's affirmative defense of invalidity (No. 52), failing even to mention (much less defend) the *infringement* instruction (No. 46). That is Hamlet without the Prince. The infringement instruction

(Pet. App. 162a-163a) directed the jury to "consider any perceived similarities or differences between the patented and accused designs" and to compare the designs' "overall appearances"—including similarities in non-ornamental aspects of Apple's designs like round corners, rectangles, and a colorful grid. In approving that instruction (Pet. App. 21a-23a), the Federal Circuit accorded Apple a monopoly over design concepts broader than the specific ornamental configurations depicted in the patent figures—an unjustified windfall that will chill innovation and clearly warrants the Court's review.

Third, Apple only underscores the need for review in suggesting (BIO 14-15) that the infringement instruction is rescued by the invalidity instruction. Even if instructions concerning a separate claim and affirmative defense could be "[t]aken as a whole" (BIO 15), the Federal Circuit's "dictated by function" test for invalidity (Pet. App. 164a) conflicts with the Patent Act and other intellectual-property law. Specifically, 35 U.S.C. 171 protects only "ornamental design," or something "added to embellish or adorn," WEBSTER'S NEW INTERNATIONAL DICTIONARY 1722 (2d ed. 1949), and Congress has declined to extend that narrow protection to the vast realm of industrial design, as this Court noted in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 167-68 (1989). But the Federal Circuit's test turns that restrictive approach on its head—since almost no product design is "dictated by" function, the Federal Circuit treats virtually every product design as "ornamental," even if it contains predominantly functional features. Such a monopoly over "useful product feature[s]" is forbidden under trade-dress law, *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 164 (1995); *see TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S.

23, 33 (2001)—as the decision below demonstrated (Pet. App. 6a-18a) in invalidating Apple's trade dresses as functional. Apple offers no reason why the very same features of a smartphone's front face or GUI should be functional for trade-dress purposes but not for design-patent purposes. *See* Professors' Br. 5.

b. Apple likewise mischaracterizes the record. Apple asserts (BIO 17-18, 24) that its designs are entirely ornamental. But there was overwhelming evidence (*see* Pet. 15, 23 n.16) that many features of Apple's patented designs were functional or structural, as the Federal Circuit's trade-dress ruling confirms. And contrary to Apple's suggestion (BIO 16), the "alternative design" evidence simply showed that such features as a large clear cover over a rectangular screen and a speaker opening at the top of the phone are "absolutely functional"—as Apple's own witnesses agreed (Pet. 15).

Apple repeats here (*e.g.*, BIO 2, 6-7, 9, 10, 11, 37) its trial mantra that Samsung "copied" Apple's designs. But record testimony rebuts this assertion. *See* Dist. Ct. ECF 1840 at 2523; 1841 at 2818-21; Def. Exs. 684, 2627 at 25-26. And contrary to Apple's suggestion (BIO 6), Samsung's "crisis of design" statement referred to problems with an old, pre-Android *operating system*, not with the look of Samsung's products. *See* A25349; Dist. Ct. ECF 1611 at 997-99; 2840 at 776; 2842 at 1046-47.

2. Apple also fails (BIO 20-23) to harmonize the decision below with this Court's holdings that courts, not juries, must construe patent claims. Apple cannot distinguish (BIO 22) *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), and its progeny on the ground that design-patent infringement is the

domain of the "ordinary observer" and not a "skilled expert." This Court's concerns about uniformity and preserving room for innovation, *id.* at 390, apply to design as well as utility patents. And the very fact that design-patent scope is assessed through the eyes of jurors rather than experts only underscores the need for district court guidance.[7]

II. CERTIORARI IS WARRANTED ON WHETHER A DESIGN-PATENT HOLDER IS ENTITLED TO AN INFRINGER'S ENTIRE PROFITS

As Apple does not dispute, the Federal Circuit's entire-profits rule creates "extreme" results (BIO 34). Under that rule, a design patent on a cup-holder would entitle the patent-holder to the total profits from a car or truck with an integrated infringing cup-holder. Apple identifies nothing in Section 289's text or history that compels such results or justifies departure from bedrock principles of causation and proportionality.

1. Apple disregards most of Section 289's text, elevating the phrase "total profits" above all the surrounding language. But Section 289 also refers to the "article of manufacture to which [the infringing] design ... has been applied" and reinforces that the relevant "profits" are those "made from the infringement." *See* Pet. 27-31. Thus, under the correct reading (as amici agree, *e.g.*, Dell Br. 13), Apple is entitled at most to Samsung's profits from the "article of manufacture" to which the designs are "applied"—namely, the phone's particular front face, particular

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[7] Apple's attempt to conjure vehicle problems here (BIO 23-25) is baseless. Samsung clearly litigated both functionality and claim construction on appeal. *See* Pet. App. 20a-23a.

front face with bezel, and specific GUI screen with a particular layout of icons—and not Samsung's entire profits on its phones.

Apple fails to dispel these textual limitations. *First*, Apple nowhere disputes that an "article" may be "one of several things ... forming a whole," BLACK'S LAW DICTIONARY 92 (1st ed. 1891). And the statute is clear that the relevant "article" is the *particular* one (*e.g.*, the face, face with bezel, or GUI screen) to which the "design ... has been applied." *Second*, Apple contends (BIO 28-29) that Section 289's "made from the infringement" clause only bars double recovery, but when the statute is read as a whole, that phrase necessarily qualifies "total profits." Pet. 30.

2. Apple misconstrues (BIO 25-26) the legislative history. The 1887 Congress sought to overturn rulings that patent-holders could recover only the "value imparted to the carpet *by the design*," *Dobson v. Dornan*, 118 U.S. 10, 17 (1886) (emphasis added), and concluded that recovery should include "the infringer's entire profit *on the article*," 18 Cong. Rec. 834 (1887) (emphasis added). But Congress was considering only single-article products like oil-cloths and wallpaper, as to which "'designs are the principal feature.'" Dell Br. 10 (quoting 18 Cong. Rec. at 835); *see* Pet. 34-35; Professors' Br. 11-14. Congress did *not* consider complex, multicomponent products, nor did it preclude the possibility that multiple *articles* might be combined into an *end product*.

3. Apple identifies no prior decision holding that Section 289 entitles a design patentee to the total profits of a complex product no matter how little the infringing features contributed to the value of the product. None of Apple's cited decisions (BIO 27) in fact "applied § 289 just as the courts below did here."

Two concerned whether infringer's profits should be awarded on a pre-tax or post-tax basis, *see Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1447-48 (Fed. Cir. 1998); *Schnadig Corp. v. Gaines Mfg. Co.*, 620 F.2d 1166, 1169-71 (6th Cir. 1980); one declined to award profits for an article not covered by the infringed design patent, *see Trans-World Mfg. Corp. v. Al Nyman & Sons Inc.*, 750 F.2d 1552, 1566-68 (Fed. Cir. 1984); and one did not address the reach of Section 289 at all, *see Henry Hanger & Display Fixture Corp. v. Sel-O-Rak Corp.*, 270 F.2d 635, 643-44 (5th Cir. 1959).

Nor can Apple avoid the stark conflicts between the Federal Circuit's decision and the decisions of the Second and Sixth Circuits. Contrary to Apple's suggestion (BIO 30), the Second Circuit's *Piano Cases* limited infringer's profits to the piano case (not the piano) not because piano cases were sold separately but rather because the "subject of the patent" was the piano case. *Bush & Lane Piano Co. v. Becker Bros.* ("*Piano I*"), 222 F. 902, 904 (2d Cir. 1915). Contrary to Apple's suggestion (BIO 30-31), the Second Circuit's reference to designs "inseparable from" articles, *Piano I*, 222 F. at 904, referred only to articles like the *Gorham* spoon in which design, article, and product are coextensive. And contrary to Apple's suggestion (BIO 30 n.13), the Second Circuit did not treat the piano and the case as "separate *items*" even if not sold in separate markets, for it noted that a book and its patented binding are "different articles" even though sold as a single item. *Bush & Lane Piano Co. v. Becker Bros.*, 234 F. 79, 82 (2d Cir. 1916).

Apple incorrectly suggests (BIO 31) that the *Piano Cases* conflict with the Second Circuit's prior decision in *Untermeyer v. Freund*, 58 F. 205 (2d Cir. 1893). The

"article of manufacture" for which profits could be recovered there was the watch case, not the watch. *See Untermeyer v. Freund*, 50 F. 77, 77-78 (C.C.S.D.N.Y. 1892); *Piano I*, 222 F. at 905 (noting same).

And Apple fails (BIO 31) to distinguish *Young v. Grand Rapids Refrigerator Co.*, 268 F. 966 (6th Cir. 1920), by grafting a *de minimis* exception onto Section 289. The ruling below recognizes no such exception and would permit the holder of a patent for a refrigerator latch to recover all the profits from sales of refrigerators containing that latch, in conflict with *Young*.

4. Apple now seeks (BIO 33-34) to rewrite the decision below as holding merely that Section 289 permitted but did not require an award of Samsung's total profits on its smartphones. But the record clearly shows the contrary. The jury instructions directed that "Apple is entitled to all profit earned ... on sales of articles that infringe Apple's design patents." Pet. App. 165a.[8] The order denying JMOL rejected any requirement that Apple show that infringing acts were "responsible for all of Samsung's profits." Pet. App. 133a. And the Federal Circuit similarly rejected any causation requirement, holding that Section 289 does *not* require infringer's profits to be "limited to the profit attributable to the infringement." Pet. App. 27a; *see id.* 28a.

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[8] Apple points (BIO 12 & n.3) to a preceding sentence in the instruction stating "you may award Apple" Samsung's "total profit attributable to the infringing products" (Pet. App. 165a), but the use of the term "may" did not make the award of total profits under Section 289 optional. The subsequent instructions (A44036-38) make clear that the term "may" merely allowed the jury to choose infringer's profits under Section 289 *or* lost profits or a reasonable royalty under Section 284.

And if there remained any doubt, the Federal Circuit confirmed in *Nordock, Inc. v. Systems Inc.*, 803 F.3d 1344 (Fed. Cir. 2015), *pet. for cert. filed*, No. 15-978 (Jan. 28, 2016), that it views Section 289 as *entitling* a design patent holder to "*total* profits for the sale of [products] found to infringe," *id.* at 1356-57 (emphasis added). Citing the decision below, *Nordock* remanded for correction of an award in a lesser amount.

Apple in any event argued throughout the litigation below that it was entitled to *all* Samsung's profits on its phones, not just any fraction attributable to infringement. It (i) moved successfully to bar Samsung from introducing any apportionment testimony (Dist. Ct. ECF 940-1 at 21; 1059-1 at 12; 1157 at 9); (ii) stated in the joint pretrial statement that it "is entitled to recover all of Samsung's profits relating to the accused products without apportionment" (Dist. Ct. ECF 1189 at 18); (iii) proposed an instruction that the jury should award total smartphone profits and "not just the portion of profit attributable to the design" (A6980); (iv) argued in its trial brief for "all profits received by the infringer for sale of the product" (Dist. Ct. ECF 1299-2 at 21-22); and (v) in closing argument, told the jury that "an infringer must give back all of the profits earned from the sales that infringed ..., not just part of that [profit]" (Dist. Ct. ECF 1997 at 4124). Apple got exactly what it wanted—Samsung's total profits on its sale of smartphones and not any fraction attributable to Apple's three narrow designs.

Apple suggests (BIO 35) that impleader could avoid multiple disgorgements. But the very professor it cites rejected this idea as "absurd." Mark A. Lemley, *A Rational System of Design Patent Remedies*, 17 STAN.

TECH. L. REV. 219, 231-32 (2013). A defendant sued multiple times for design-patent infringement would have to establish that the first plaintiff, having recovered the defendant's "total profits," is somehow "liable to [the defendant] for all or part of" the second or successive plaintiff's infringement claim. *See* Fed. R. Civ. P 14(a)(1). Apple does not explain how that scenario could ever come about, or how it would avoid overcompensating the first plaintiff.

III. THE PETITION PRESENTS QUESTIONS OF ENORMOUS NATIONAL IMPORTANCE

Contrary to Apple's effort to minimize the importance of this case (BIO 34-37), the Federal Circuit's combined rulings overprotecting and over-compensating design patents will have significant and adverse effects on the national economy. The ruling will unleash abusive litigation, chill innovation and thwart competition, as amici confirm. *See* Dell Br. 15-19; Public Knowledge Br. 4-10; HLF Br. 5-8; Professors' Br. 1-2; CCIA Br. 7, 11-13. This regime will affect virtually every design-patent case involving modern technological products that (in contrast to rugs and spoons) typically combine thousands of features, many of which have functional elements. *See, e.g.*, Dell Br. 6-8; Professors' Br. 6, 13. And this regime will lead to punitive and draconian total-profits awards.

Apple suggests (BIO 35-36) that such concerns are merely hypothetical. But many suits seeking design-patent awards far exceeding any inventive contribution are already in progress, as detailed in the amicus brief of Systems, Inc.—the defendant in *Nordock*, 803 F.3d 1344. *See* Systems Br. 6-10; *see also, e.g., Bobcar Media, LLC v. Aardvark Event*

Logistics, Inc., No. 1:16-cv-885 (S.D.N.Y. Feb. 4, 2016); *Microsoft Corp. v. Corel Corp.*, No. 5:15-cv-05836 (N.D. Cal. Dec. 18, 2015).

Moreover, contrary to Apple's speculation (BIO 36-37), there is no question that "patent trolls" will seize upon the Federal Circuit's opinion. They have already done so. Pet. 37-38 & n.24. With the opportunity to reap a total-profits windfall from even the most minor design patents, it is inevitable that many more cases will arise. This inevitable wave of patent litigation is all the more reason to grant review.

CONCLUSION

The petition should be granted.

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